

'Open architecture bancassurance will be counter-productive'

Chennai,

Forcing banks to sell insurance policies of multiple insurers would actually turn counter-productive with insurers facing the risk of huge penalties due to mis-selling and bankers not selling the products, said a senior official of a private life insurer.

Participating at a panel discussion on the amended insurance law held here on late Monday Ravi Krishnamurthy, executive

director, SBI Life Insurance said: "Insurance distribution should be kept simple."

Complicating the distribution model like forcing banks to sell products of multiple insurers will be counter-productive with bankers deciding not to sell the insurance products at all.

A banker earns his income mainly from banking activities. Selling insurance is an add on revenue, he said.

Stressing the importance of tied agency model-individual agents channel - Krishnamurthy said SBI Life unlike other companies had nurtured this channel which resulted in the company getting sizeable premium from its agency force.

With the insurance law making insurers liable for the commissions and omissions of their agents and provides for penalty up to Rs.1 crore insurers have to worry a lot on this aspect, he added.

Batting for banks selling insurance policies of multiple insurers Srinivasan Iyengar, chief operating officer, Reliance Life Insurance said: "One should look at this from customer point of view."

Iyengar said an open architecture bancassurance model would provide customers the much needed choice in selecting a product that is suited to her.

In India there are three types of insurers - those promoted by banks; those who have appointed banks as their corporate agents, and insurers not having any banks to distribute their policies.

Banks such as ICICI Bank, HDFC Bank, State Bank of India and others that have floated insurance companies sell only the products of the group companies.

Banks acting as a corporate agent can sell only the products of one insurer.

There are insurers who have appointed multiple banks as their corporate agents.